



MAINE MUNICIPAL ASSOCIATION SINCE 1936

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Testimony of the Maine Municipal Association (MMA)

In Opposition to

LD 225, An Act to Reduce Property Taxes and Finance Public School Construction and Education Through a 3 Percent Sales Tax on Hotel and Lodging Place Rentals

March 12, 2025

Senator Grohoski, Representative Cloutier and distinguished members of the Joint Standing Committee on Taxation, my name is Amanda Campbell, and I am submitting testimony in opposition to LD 225 on behalf of the Maine Municipal Association's 70-member Legislative Policy Committee (LPC).

This session, the LPC proactively established a platform of bills intended to bolster and support the property taxpayers of Maine. Through initiatives across the legislative board, they are committed to protecting the interests of their residents and to reducing the burden of property taxes.

Municipal officials will be the first to agree that the cost of funding education is rising and is one of the primary factors of increasing property taxes. Voters have rejected more local school budgets in the last year than in recent memory. Even with the statutorily required state funding of 55% of education, municipal officials are faced with increased school budgets that allow for little to no input from the community's boards or councils. Those non-negotiable increased costs leave municipal officials with the unpopular choices of either cutting municipal services or increasing the municipal budget.

The *Report on Policy and Practices for Funding Maine Public School Construction and Renovation**, recently published by the Maine Education Policy Research Institute (MEPRI), describes the current policies, rules, and procedures for funding of school construction and renovation and the hurdles faced by school districts when the need arises to update or replace facilities. Currently, options are limited as there are no dedicated state revenue streams directed towards educational facility funding. One point emphasized in the report's section on improving funding was to establish new tax strategies that could provide additional revenue specifically for school facility funding.

LD 225 proposes to increase the hotel and lodging tax from the current 8%, by 3%. The revenues from this additional 3% would be credited directly to the Department of Education for the purposes of school construction and K-12 education.

Municipal officials appreciate the intent of this bill to reduce property taxes. However, officials oppose the idea that funding school construction is an effective method of reducing those property taxes. School construction funding is currently limited to a \$150 million debt limit. Adding funds to the pot would not increase the number of projects that could be funded if the limit is met. In addition, if funds not used for school construction were diverted to the overall funding of K-12 education, there is no mechanism to distribute those funds through the current Essential Programs and Services (EPS) formula. The potential for those funds to default into the 55% required state funding causes concern for municipal officials.

The same MEPRI report indicates that the state may no longer have the fiscal capacity to cover 100% of school construction costs and suggests that a required local share may be necessary. Focus group participants even state that communities should be required to play a role in funding school facilities and should expect to have responsibility to pay for and maintain those facilities. Municipal officials would likely agree with this statement should they also be afforded the opportunity to play a role in the creation of school department budgets and not be expected to simply foot the bill.

Finally, municipalities have offered several creative methods to increase local revenue that could help offset local costs of municipal services, county taxes, and school funding. None have been met with realistic consideration. Until an authentic discussion can be held in which all options of funding municipal functions are considered, including schools, the LPC respectfully requests that the committee vote ought not to pass on LD 225.

Thank you for your consideration of the municipal perspective on this important topic. Please feel free to contact any member of the LPC or the MMA Advocacy team with any questions relating to municipal operations.

<https://bpb-us-w2.wpmucdn.com/wpsites.maine.edu/dist/e/97/files/2025/01/MEPRI-Report-School-Construction-Policy-011425.pdf>